

## Message Text

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ACTION COME-00

INFO OCT-01 EUR-12 IO-13 ISO-00 EB-07 AID-05 CIAE-00

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 PA-02 PRS-01 /084 W

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R 181516Z MAY 76

FM AMEMBASSY COPENHAGEN

TO SECSTATE WASHDC 2680

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY DUBLIN

USMISSION MTN GENEVA

AMEMBASSY THE HAGUE

AMEMBASSY HELSINKI

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OSLO

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

UNCLAS COPENHAGEN 1653

E.O. 11652: N/A

TAGS: EXP, XG, DA

SUBJECT: 1980 TRADE AND ECONOMIC PROJECTIONS

REF: (A) STATE A-1182, (B) STATE 116763

1. OFFICIAL DANISH FORECASTS PREPARED BY COUNCIL OF  
ECONOMIC ADVISERS (CEA) FOR PERIOD THROUGH 1978 INDICATES  
THAT, FOLLOWING 6.5 PERCENT IMPORT DECLINE IN 1975, IMPORTS  
MAY INCREASE BY 9.5 PERCENT IN 1976, BY 4.5 IN 1977, AND BY  
6.5 PERCENT IN 1978 (REAL TERMS). ASSUMING STABILIZATION  
AT 6.5 PERCENT LEVEL OF INCREASE IN BOTH 1979 AND 1980,  
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TOTAL IMPORT INCREASE 1974-80 WOULD BE 29.2 PERCENT, OR

AVERAGE ANNUAL RATE OF 4.4 PERCENT: I.E., ABOUT HALF OF RATE ESTIMATED IN REPAIR.

2. IT SHOULD BE NOTED, HOWEVER, THAT USE OF RECESSION YEAR AS STATISTICAL BASE INFLUENCES RESULT. IF, FOR INSTANCE, 1975 RATHER THAN 1974 WERE USED, IMPORT GROWTH 1975-80 WOULD BE, APPLYING SAME RATES AS ABOE, 38.2 PERCENT, OR AN AVERAGE ANNUAL RATE OF 6.7 PERCENT.

3. DANISH IMPORT DEVELOPMENTS HAVE BEEN FAR FROM NORMAL DURING LAST SIX MONTHS PERIOD DUE TO TEMPORARY REDUCTION OF VALUE ADDED TAX. IN CURRENT PRICES, IMPORTS IN FIRST QUARTER OF 1976 WERE 32 PERCENT OVER FIRST QUARTER 1975. IT IS YET UNCERTAIN AT WHICH LEVEL IMPORTS WILL STABILIZE ONCE SPENDING SPREE HAS LOTS ITS IMPACT, HENCE WHETHER CEA FORECAST OF 9.5 PERCENT REAL IMPORT GROWTH IN 1976 WILL PROVE CORRECT.

4. OFFICIAL DANISH FORECASTS QUOTE ABOVE ARE BASED UPON OECD FORECAST OF MODERATE ECONOMIC GROWTH RATES IN OECD-EUROPE, STABILIZING AT ABOUT 4 PERCENT IN 1977 AND 1978. AS DENMARK IS VERY DEPENDENT UPON DEVELOPMENTS ABROAD, IT WOULD APPEAR UNLIKELY THAT THE DANISH ECONOMY COULD EXPAND MUCH FASTER WITHOUT SERIOUS DISEQUILIBRIUM PROBLEMS. THE IMPORT GROWTH RATE FORECAST IN REPAIR MUST THEREFORE BE CONSIDERED EXTREMELY SANGUINE. WE SUGGEST, THEREFORE, THAT YOU CONSIDER USING THE CEA COMPUTATION IN PARA 1 ABOVE WHICH SEEMS TO US MORE REALISTIC THAN THE COMPUTATIONS IN REPAIR.

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